

5 **NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

**OIL, GAS AND MINERAL LEASE**  
**(NO SURFACE USE)**

THIS AGREEMENT made this 24<sup>th</sup> day of April, 2008, between Joseph F and Betty L Phelps, Lessor (whether one or more), whose address is 9912 Ivy Leaf Ln. Fort Worth Texas 76108 (home address), and Woodcrest Oil and Gas I, LLC, Lessee, WITNESSETH:

1. Lessor in consideration of Ten and No/100---Dollars (\$10.00), in hand paid, of the royalties herein provided, and of the agreements of Lessee herein contained, hereby grants, leases and lets exclusively unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and all other minerals, conducting exploration, geologic and geophysical surveys by seismograph, core test, gravity and magnetic methods, injecting gas, water and other fluids, and air into subsurface strata, laying pipe lines, over, under and across lands owned or claimed by lessor adjacent and contiguous thereto, to produce, save, take care of, treat, transport and own said products, and housing its employees, the following described land in Tarrant County, Texas, to-wit:

See attached Exhibit "A" hereto and made part of hereof for the name and address of the lessor (whether one or more) who are a party hereto

This lease also covers and includes all land owned or claimed by lessor adjacent or contiguous to the land particularly described above, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above.

2. This is a subsurface lease only and Lessee waives any surface usage of the property.
3. This is a paid up lease and subject to the other provisions herein contained, this lease shall be for a term of Three (3) years from this date (called "primary term") and as long thereafter as oil, gas or other mineral is produced from said land or land with which said land is pooled hereunder.
4. As royalty, lessee covenants and agrees: (a) To deliver to the credit of lessor, free of production costs, in the pipelines to which lessee may connect its wells, the equal Twenty-Three Percent (23%) part of all oil produced and saved by lessee from said land, or from time to time, at the option of lessee, to pay lessor the average posted market price of such Twenty-Three Percent (23%) part of such oil at the wells as of the day it is run to the pipe line or storage tanks, lessor's interest, in either case, to bear Twenty-Three Percent (23%) of the cost of treating or transporting oil or gas to render it marketable pipeline oil or gas; (b) to pay lessor for gas and casinghead gas produced from said land (1) when sold by lessee Twenty Three Percent (23%) of the amount realized by lessee, computed at the mouth of the well, or (2) when used by lessee off said land or in the manufacture of gasoline or other products Twenty Three Percent (23%) of the amount realized from the sale of gasoline or other products extracted therefrom and Twenty Three Percent (23%) of the amount realized from the sale of residue gas after deducting the amount used for plant fuel and/or compression; (c) To pay lessor on all other minerals mined and marketed or utilized by lessee from said land, one-tenth either in kind or value at the well or mine at lessee's election, except that on sulphur mined and marketed the royalty shall be ten dollars (\$10.00) per long ton. If, at the expiration of the primary term or at any time or times thereafter, there is any well on said land or on lands with which said land or any portion thereof has been pooled, capable of producing oil or gas, and all such wells are shut-in, this lease shall, nevertheless, continue in force as though operations were being conducted on said land for so long as said wells are shut-in, and thereafter this lease may be continued in force as if no shut-in had occurred. Lessee covenants and agrees to use reasonable diligence to produce, utilize, or market the minerals capable of being produced from said wells, but in the exercise of such diligence, lessee shall not be obligated to install or furnish facilities other than well facilities and ordinary lease facilities of flow lines, separator, and lease tank, and shall not be required to settle labor trouble or to market gas upon terms unacceptable to lessee. If, at any time or times after the expiration of the primary term, all such wells are shut-in for a period of one hundred and eighty consecutive days, and during such time there are no operations on said land, then at or before the expiration of said one hundred and eighty day period, lessee shall pay or tender, by check or draft of lessee, as royalty, a sum equal to ten dollars (\$10.00) for each acre of land then covered hereby. Lessee shall make like payments or tenders at or before the end of each anniversary of the expiration of said ninety day period if upon such anniversary this lease is being continued in force solely by reason of the provisions of this paragraph. If at any time that lessee pays or tenders shut-in royalty two or more parties are, or claim to be, entitled to receive same, lessee may, in lieu of any other method of payment herein provided, pay or tender shut-in royalty, in the manner above specified, either jointly to such parties or separately to each in accordance with their respective ownerships thereof, as lessee may elect. Any payment hereunder may be made by check or draft of lessee deposited in the mail or delivered to the party entitled to receive payment or to a depository bank provided for above on or before the last date for payment. Nothing herein shall impair lessee's right to release as provided in paragraph 5 hereof. In the event of assignment of this lease in whole or in part, liability for payment hereunder shall rest exclusively on the then owners of this lease, severally as to acreage owned by each.
5. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to

do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 80 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 320 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on a 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the leased premises shall be treated as if it were production, drilling or reworking operations on the leased premises, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder. Any unit so formed may be amended, increased in size, decreased in size, or changed in configuration, at the election of Lessee, at any time and from time to time, and Lessee may vacate and dissolve any unit by instrument in writing filed for record in said county at any time when there is no unitized substance being produced from such unit. To the extent any portion of the leased premises is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests.

6. If at the expiration of the primary term, oil, gas, or other mineral is not being produced on said land, or from the land pooled therewith, but Lessee is then engaged in drilling or reworking operations thereon, or shall have completed a dry hole thereon within 60 days prior to commencing to drill or preparing to drill or to the end of the primary term, the lease shall remain in force so long as operations on said well are commencing for drilling or reworking of any additional well are prosecuted with no cessation of more than 60 consecutive days, and if they result in the production of oil, gas or other mineral, so long thereafter as oil, gas, or other mineral is produced from said land, or from land pooled therewith. Any pooled unit designated by Lessee in accordance with the terms hereof, may be dissolved by Lessee by instrument filed for record in the appropriate records of the county in which the leased premises are situated at any time after the completion of a dry hole or the cessation of production on said unit. In the event a well or wells producing oil or gas in paying quantities should be brought in on adjacent land and within 330 feet of and draining the leased premises, or land pooled therewith, Lessee agrees to drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances. Lessee may at any time execute and deliver to Lessor or place of record a release or releases covering any portion or portions of the above described premises and thereby surrender this lease as to such portion or portions and be relieved of all obligations as to the acreage surrendered.
7. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within six hundred (600) feet of any residence or barn now on said land without Lessor's consent.
8. The rights of either party hereunder may be assigned in whole or in part, and the provisions hereof shall extend to their heirs, successors and assigns; but no change or division in ownership of the land, or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of Lessee; and no change or division in such ownership shall be binding on Lessee until thirty (30) days after Lessee shall have been furnished by registered U. S. mail at Lessee's principal place of business with a certified copy of recorded instrument or instruments evidencing same. In the event of assignment hereof in whole or in part, liability for breach of any obligation hereunder shall rest exclusively upon the owner of this lease or of a portion thereof who commits such breach. If six or more parties become entitled to royalty hereunder, Lessee may withhold payment thereof unless and until furnished with a recordable instrument executed by all such parties designating an agent to receive payment for all.
9. Should oil, gas or other mineral in paying quantities be discovered on said premises, then after the expiration of the primary term, Lessee shall develop the acreage retained hereunder as a reasonably prudent operator, but in discharging this obligation it shall in no event be required to drill more than one well per forty (40) acres of the area retained hereunder and capable of producing oil in paying quantities and one well per 320 acres plus an acreage tolerance not to exceed 10% of 320 acres of the area retained hereunder and capable of producing gas or other mineral in paying quantities. If after the expiration of the primary term, Lessor considers that operations are not at any time being conducted in compliance with this lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach hereof, and Lessee, if in default, shall have thirty (30) days after receipt of such notice in which to comply with the obligations imposed by virtue of this instrument.
10. Lessor hereby warrants and agrees to defend the title to said land while Lessor is the owner of the land. Lessor hereby represents and warrants that they are the owner of the minerals and are authorized to enter this agreement. Without impairment of Lessee's rights under the warranty in event of failure of title, it is agreed that if this lease covers a less interest in the oil, gas, sulphur, or other minerals in all or any part of said land than the

entire and undivided fee simple estate (whether Lessor's interest is herein specified or not), or no interest therein, then the royalties, and other monies accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. All royalty interest covered by this lease (whether or not owned by Lessor) shall be paid out of the royalty herein provided.

11. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing any oil, gas or other minerals therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, and Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligation to comply with such covenant shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the lease premises; and the time while Lessee is so prevented shall not be counted against Lessee, anything in this lease to the contrary notwithstanding.
12. Assignee shall indemnify and hold Assignor and the property of Assignor, including Assignor's interest under this instrument, free and harmless from all claims, liability, loss, damage, or expense resulting from Assignee's performance of the lease, Assignee's occupation of any part of the real property covered by the lease, or the exploration for, or extraction by Assignee under the lease of, any oil, gas, or other hydrocarbon substances.
13. Notwithstanding anything contained herein to the contrary, Lessee does not by virtue of this lease acquire any rights whatsoever to conduct any operations on the surface of the lease premises without first obtaining the prior written consent of Lessor, however, Lessee may recover oil, gas and associated hydrocarbons from the lease premises by directional or horizontal drilling, pooling, unitization or any other method provided in this lease.
14. It is understood and agreed that at the expiration of the primary term of this lease, Lessee shall release all rights lying below the base of the deepest producing perforation in any well drilled on the leased premises or on lands with which the leased premises has been pooled or unitized.

IN WITNESS WHEREOF, this instruction is executed on the date first above written.

Signature: Joseph F. Phelps  
Printed Name:

Signature: Betty L Phelps  
Printed Name:

ACKNOWLEDGMENTS

STATE OF TEXAS           §  
                                     §  
COUNTY OF TARRANT §

This instrument was acknowledged before me on this the 24 day of April, 2008, by Joseph Phelps as property owner 9912 Ivy Leaf, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.



Teresa Manire  
Notary Public in and for the State of Texas

STATE OF TEXAS           §  
                                     §  
COUNTY OF TARRANT §

This instrument was acknowledged before me on this the 24 day of April, 2008, by Betty Phelps as property owner 9912 Ivy Leaf, a \_\_\_\_\_, on behalf of said \_\_\_\_\_.



Teresa Manire  
Notary Public in and for the State of Texas

After Recording Return To:

Woodcrest Oil and Gas I, LLC  
3113 S. University, Suite 600  
Fort Worth, TX 76109

**EXHIBIT "A"**

ATTACHED TO AND MADE A PART OF THAT CERTAIN OIL AND GAS LEASE BY AND BETWEEN JOSEPH F AND BETTY L PHELPS, AS LESSOR, AND WOODCREST OIL AND GAS I, L.L.C. AS LESSEE.

**LEGAL DESCRIPTION:**

0.20 ACRES MORE OR LESS OUT OF SAID LAND LOT 4, BLOCK 27, PHASE I, WESTPOINT, AN ADDITION TO THE CITY OF FORT WORTH, TARRANT COUNTY, TEXAS ACCORDING TO THE PLAT THEREOF RECORDED IN VOLUME 388-110, PLAT RECORDS OF TARRANT COUNTY, TEXAS. COMMONLY KNOWN AS 9912 IVY LEAF LANE, FORT WORTH, TEXAS 76108

**ADDENDUM**

15. Not with standing anything to the contrary, royalties will be delivered to Lessor free of any costs, both production and post-production.



WOODCREST OIL & GAS I, LLC  
3113 S UNIVERSITY, SUITE 600

FT WORTH TX 76109

Submitter: WOODCREST OIL & GAS I, LLC

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SUZANNE HENDERSON  
TARRANT COUNTY CLERK  
TARRANT COUNTY COURTHOUSE  
100 WEST WEATHERFORD  
FORT WORTH, TX 76196-0401

**DO NOT DESTROY**  
**WARNING - THIS IS PART OF THE OFFICIAL RECORD.**

Filed For Registration: 06/23/2008 08:44 AM  
Instrument #: D208238883  
LSE 6 PGS \$32.00

By: \_\_\_\_\_



**D208238883**

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE  
OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR  
RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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